

September 27, 2013

To: Executive Board

Subject: **Fiscal Year 2013 Financial and Compliance Audit Results**

Recommendation

Receive and file the Fiscal Year 2013 financial and compliance audit results.

Analysis

The accounting firm of Lance, Soll and Lunghard LLP has completed their audit of Foothill Transit's balance sheet as of June 30, 2013 and the related statements of revenues, expenses, and cash flow. The audit was conducted in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. This audit was performed for the purpose of forming an opinion regarding Foothill Transit's financial statements.

In addition to the financial audit, Lance, Soll and Lunghard LLP has completed an audit of Foothill Transit's compliance with the Single Audit (Office of Management and Budget Circular [OMB] A-133) guidelines mandated by our receipt of federal funds, the Transportation Development Act, and the rules and regulations of the Los Angeles County Metropolitan Transportation Authority. The purpose of this audit is to determine compliance with all laws, regulations, contracts, and grants, including the Transportation Development Act as summarized in the "Guidelines on Auditing for Conformance" which is published by the Southern California Association of Governments.

Lance, Soll and Lunghard LLP will present a review of the audit results and present the final Independent Financial and Single Audit Reports to the Executive Board on Friday, September 27, 2013. A copy of the Financial Report is attached for your review.

For the 11th year in a row, Foothill Transit has received a clean audit. The Auditors did not recommend and/or require any adjustments to Foothill Transit's financial statements to properly reflect the financial position and changes in its financial position for the fiscal year ended June 30, 2013.

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A summary of the financial activities are as follows:

Summary of Financial Activity for Fiscal Year Ended June 30, 2013

Total farebox revenue	18,441,434
Other revenue	1,109,055
Total operating revenues	<u>19,550,489</u>
Operating Expense before depreciation	63,562,621
Depreciation expense	18,971,618
Total operating expense	<u>82,534,239</u>
Operating loss	<u>(62,983,750)</u>
Non-operating revenue	43,775,320
Other income (expense) net	236,812
Loss before capital contributions	<u>(18,971,618)</u>
Capital contributions	<u>16,494,432</u>
Change in net assets	<u>(2,477,186)</u>
Net assets at beginning of year	<u>176,757,814</u>
Net assets at end of year	<u><u>174,280,628</u></u>

Farebox recovery ratio 29.01%

Foothill Transit's working capital (current assets less current liabilities); a measure of Foothill Transit's liquidity was \$77.06 million, representing an increase of approximately \$10.66 million since last year. This is an indicator of Foothill Transit's ability to respond to an unexpected situation requiring immediate cash. A copy of the audit report is attached for your review (**Attachment A**).

Sincerely,



Gil Victorio
Interim Director of Finance



Doran J. Barnes
Executive Director

Attachment